

An Ambitious Agenda for Reducing Greenhouse Gases

*Remarks by Bruce I. Knight, Chief,
Natural Resources Conservation Service, at the
USDA Agriculture and Grazing Land Accounting
Rules and Guidelines for Greenhouse
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Good Morning. I am Bruce Knight, Chief of USDA's Natural Resources Conservation Service -- NRCS. As Chief of NRCS, I head up the Agricultural Air Quality Task Force. And, I am also very interested in environmental trading programs and what they mean for the future of American agriculture.

Welcome to USDA's two-day technical meeting on accounting rules and guidelines for greenhouse gas offsets in agriculture and grazing land. I am glad to see people here today representing so many perspectives on greenhouse gas offsets. Early last year, President Bush announced his Climate Change Strategy. The strategy includes improvements to the Department of Energy's Voluntary Greenhouse Gas Reporting Program.

President Bush set an ambitious agenda for reducing greenhouse gases and an overall national goal to reduce the "greenhouse gas intensity" of the American economy by 18 percent in the next decade. As one important element of achieving that goal, he has challenged USDA to recommend targeted incentives for greenhouse gas offsets from agriculture and forests. He also challenged us to help the Department of Energy set up a new and improved registry for crediting private sector actions to offset reductions in greenhouse gases.

NRCS is the lead agency within the Department for developing the agriculture reporting guidelines. We have until January of 2004 to issue the accounting rules, and an additional six months to develop the forms and instructions. Toward that end, this is the first of two meetings announced in the Federal Register last November. The second meeting will be on January 23 here at the USDA Center, and will be devoted to Forest Accounting rules and guidelines. In addition to these two sessions, the Department hosted four meetings for interested parties late last year in Washington, San Francisco, Houston, and Chicago.

I would like to thank Bill Hohenstein and USDA's Global Change Program Office, as well as Keith Collins and the Office of the Chief Economist for coordinating today's meeting. I would also like to thank the USDA Graduate School for handling registration and meeting arrangements and Doug Brookman for serving as facilitator for the event.

We have a good group here today representing corporations, U.S. government agencies, environmental groups, industry associations, state governments, universities, and others. We pretty much have every perspective on greenhouse gas offsets represented here today.

ROLE OF AGRICULTURE

When we are looking at environmental issues, we must always remember the important place of agriculture in our society. We are blessed with the most productive agricultural economy in the world. Not only do we feed ourselves, we also help feed the world. So long as people eat, agriculture will be an important part of our society. Whatever we do to encourage our farmers and ranchers to address environmental issues, we must do it in ways that strengthen our agricultural economy. We must keep our focus on working lands – not just on idled lands.

We must emphasize the production of food and fiber as the primary purpose of agriculture. That means that the technologies and systems we use to reach environmental goals must be compatible with production systems. That is already the case with many of our conservation practices. For example, I use no-till on my farm in South Dakota, both for production reasons and for conservation reasons. Another example is the compatibility between production and emission control represented by methane digesters.

The costs of implementing technologies and practices that are good for the environment fall on the landowner or operator, but many of the benefits go to the public. So to keep agriculture strong, we must find ways for landowners to recoup the costs. Cost-share programs have traditionally helped landowners recover some of their costs for conservation practices.

We need to look in the direction of creating an incentive-based market for the environmental benefits created by agriculture. Yesterday's Environmental Protection Agency announcement on water quality trading is an example.

We need to look in the direction of creating incentives that will enable producers to do much more for the environment in a profit-making context.

We need to look in the direction of utilizing voluntary action as the basis, as opposed to cap-and-control as the basis of trades.

With regard to greenhouse gasses, there are a number of drivers in meeting the President's strategy, including businesses and industry initiatives to reduce emissions and deploying funding under the conservation title of the new farm bill, which will encourage expanded sequestration efforts and results across the United States.

It is important to remember that the marketplace will determine the value of environmental credits. However, providing the information for those markets to work is a substantial challenge for those interested in conservation.

We need good science to point out and keep track of all of the benefits of various conservation practices, no matter what goal they are designed to reach. For example, many of the practices that control erosion and improve water quality have the extra benefit of sequestering carbon. Many of the practices we implemented under existing animal waste programs also have the extra benefit of reducing methane emissions.

Realistically, agriculture and forestry offset projects will work best as part of what Secretary Veneman calls a portfolio with multiple benefits to the environment. Look at the anaerobic digester as an example. Transferable credits from methane reduction benefits, on their own, may not support an investment in this technology. But, combine those credits with other benefits -- like public goals for water quality, odor reduction, energy conservation, and air pollutants -- and the whole package may well support applying the technology on a larger scale.

The challenge is to move beyond the concept of having a market for environmental goods and services, and develop a system of incentives that give businesses the confidence to act. Companies and farmers are understandably reluctant to invest in agriculture offsets without reliable information on the benefits of land management practices. What we need to do is take down the barriers of doubt, confusion, and uncertainty.

CHALLENGES

I hope that this meeting will produce progress on two major issues identified in earlier meetings that are particularly important to me -- credibility and transparency. These are important issues, and we must do what it takes to make the right decisions. Failure to do so would jeopardize not only agricultural participation in the emerging greenhouse gas strategy, but would endanger the program itself.

Credibility has and will continue to be a major issue, especially in the area of carbon sequestration. We have to remember that the objective of this reporting effort is to provide a credible record of emissions and reductions that could simply be held or transferred between private entities. Government has an important role, but as a facilitator. This facilitation role means doing the best we can to reduce the uncertainty within the system.

For other sources of greenhouse gases in agriculture, uncertainties often arise from limited data and variation in management practices from farm to farm. These uncertainties can make investment in agricultural projects less attractive. However, there are scientifically sound methods that can be used to reduce that uncertainty. We should provide a rigorous evaluation of those methods, along with technical assistance in the use of the methods.

Transparency is another important issue. In a private market where the transactions are between individuals, it is vitally important that each party has the same access to information to insure fair participation, price discovery, and confidence in the system.

CONCLUSION

These are complex, important issues; and their resolution is critical to implementing a viable voluntary greenhouse gas reporting system that can meet the President's objectives with agricultural participation. With your input and continued feedback, we can design and support a system that will support our getting real reductions in the amount of greenhouse gas in the atmosphere. We simply have to move out quickly on these issues, and create an environmental

agenda based on voluntary conservation. The outlook is positive for us to move in the direction of incentives, voluntary efforts, and a market-inspired approach to environmental issues. This approach will create environmental benefits, an abundance of food and fiber, and a profitable industry for America's farmers and ranchers.

By working together, we can apply the market concept to many environmental goals and create a new era of conservation and profitability for America's livestock and crop producers.

Thank You.